Coventry City Council

Public report
Cabinet Member

Cabinet Member for Strategic Finance and Resources 15 July 2026

Name of Cabinet Member:
Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director approving submission of the report:
Director of Finance and Resources

Ward(s) affected:
All

Title:
Corporate Debt Recovery Strategy

Is this a key decision?
No

Executive summary:

The report sets out the detail of the Council's proposed Corporate Debt Recovery Strategy and recommends the strategy be adopted. The strategy covers various forms of income due to the council, including local taxation, penalty charge notices and sundry fees and charges.

The strategy formally documents the Council's current approach to debt management and does not propose any material changes to current approaches to the recovery of debt.

The report outlines the four key principles of the Council's approach to debt recovery:

- Robust and proportionate collection
- Efficient administration
- Financial inclusion
- Minimise arrears and bad debt

Overall, the strategy documents the Council's current approach to managing corporate debt – recognising the significance of the various corporate income streams to the Council's financial sustainability whilst balancing the need to maximise collection with the Council's responsibilities to its most vulnerable residents and service users.

Recommendations:

The Cabinet Member for Strategic Finance and Resources is recommended to:

1) Approve the adoption of the Council's Corporate Debt Recovery Strategy as set out in Appendix 1 attached.

List of Appendices included:

Appendix 1 - Corporate Debt Recovery Strategy
Appendix 2 – Equalities Impact Assessment

Background papers:

N/A

Other useful documents

N/A

Has it or will it be considered by Scrutiny?

No

Has it or will it be considered by any other Council Committee, Advisory Panel, or other body?

No

Will this report go to Council?

No

Report Title: Corporate Debt Recovery Strategy

1. Context (or background)

1.1 The Council delivers a wide range of statutory and discretionary services, many of which generate income through fees, charges, and taxation.

1.2 The Council's income is diverse in nature and collects more than £400 million of income from these various income streams which may include:

- Council tax
- Business rates
- Business Improvement District
- Commercial rent
- Housing benefit overpayments
- Sundry fees and charges (adult social care, general services)
- Parking Fines / Penalty charge notices

1.3 This income helps to pay for vital council services – including services to our most vulnerable residents. Reduced Government grants and our increased dependence on income from business rates and trading, along with pressures on tenants and Council Taxpayer's income due to economic challenges means effective debt collection is more important than ever.

1.4 The collection practices for the various types of income and debts due to the Council are long established and subject to relevant legislation. Policies and procedures exist which govern the collection activity relevant to each specific income stream.

1.5 Whilst general policies and procedures exist to guide decision making on debt recovery, decisions on specific cases are often tailored to the circumstances of that specific case. Factors taken into account when considering the recoverability of a debt may include:

- Whether all reasonable efforts to recover the debt have been exhausted.
- The cost of pursuing the debt against the value of the debt and whether associated recovery costs can be recovered.
- The likelihood of recovering the debt.
- The debtor's circumstances.

1.6 In recent years, the Council has faced increasing financial pressures arising from:

- Reduced government funding and continued budget constraints.
- Rising demand for services, particularly within social care.
- Economic challenges affecting residents and businesses, including cost-of-living pressures.

1.7 These factors have contributed to increased levels of debt owed to the Council and have made effective debt recovery more critical to maintaining financial sustainability.

1.8 As a result, it is recognised that, given the increasing reliance on income collection and debt management, it is appropriate for the Council to have a formal, published debt strategy.

1.9 The development of a Corporate Debt Strategy aligns with local government best practice and supports the Council's financial strategy and organisational priorities.

1.10 The strategy captures, at a high level, the Council's approach to managing income collection. The strategy does not propose any significant changes in the Council's current approaches to income collection and debt management but serves as an overarching framework to ensure that the Council's approach is applied more consistently.

1.11 The broad purpose of the strategy, set out on page three of the document, is to:

- Set out the key guiding principles for the Council's approach to the recovery of debt.
- Optimise and increase the collection performance of income.
- Minimise the level of debt held by the Council.
- Minimise the levels of debt written off.
- Promote a robust, proportionate and fair approach in the Council's debt recovery processes.
- Ensure the Council discharges its statutory functions.

1.12 Debt, for the purpose of the strategy, is defined as any amount of revenue that is due to the Council but has not been paid. This includes:

- Council tax
- Business rates
- Business Improvement Districts
- Housing benefit overpayments
- Commercial Rent
- Penalty Charge Notices
- All other sundry fees and charges (including adult social care charges)

1.13 The strategy sets out four key principles guiding debt recovery.

Key principle 1 – Robust and proportionate collection

1.14 This principle focusses on ensuring the Council maximises collection but is responsive to the context of each case and debt type. This is about balancing the need to collect essential public revenue with protecting some of our most vulnerable customers from financial hardship.

1.15 The Council will utilise a range of statutory measures in pursuing debt – which could, in the most extreme examples, result in a person being committed to prison for non payment of council tax – but the Council will always endeavour to be responsive to the circumstances of each case.

Key principle 2 – Efficient Administration

1.16 The Council recognises that robust and efficient debt collection is heavily reliant on the efficacy of billing and invoicing processes. The potential for collecting amounts due is far improved of the underlying invoice is generated in a timely and accurate fashion and captures all relevant information relating to the nature of the charge and customer details.

1.17 Payments for services should, as far as possible, be required in advance and customers should be provided with convenient and sustainable payment options.

Key principle 3 – Financial inclusion

1.18 The Council engages in multi-agency activities to create a culture of financial inclusivity, promoting take-up of available support and maximising income for residents.

1.19 The Council operates a direct referral process to local advice agencies and the national Money and Pension Service for financially vulnerable customers to access independent debt advice.

Key principle 4 – Minimise arrears and bad debt

1.20 The Council will maintain prudent accounting models which provide for bad debt but seek to ensure that the write off of debt is a last resort and subject to relevant scrutiny and governance.

1.21 Reasons for writing off debt may include:

- All reasonable efforts to recover the debt have been exhausted.
- The cost of pursuing the debt exceeds the value of the debt and those costs incurred are unlikely to be recovered.
- The likelihood of recovery is such that the Council determines that no further resource should be allocated to pursuing the debt.
- Pursuing the debt would place the debtor in undue and extreme financial hardship.
- The Council is legally compelled to write off a debt.
- The debtor cannot be traced (the Council will undertake reasonable tracing measures including the use of credit reference agencies as appropriate).
- The debtor’s vulnerability justifies writing off the debt.
- The debt is time barred, where the statute of limitation applies. Generally, this means that if a period of six years has elapsed without notifying the debtor of the amount owing, the debt cannot be enforced by legal action.

2. Options considered and recommended proposal

2.1 The Council has never formally adopted a corporate debt strategy. The management of income and debt collection is largely operational and administered in accordance with legislation relevant to the given debt type.

2.2 In recent years, Councils across the country have seen significant increases in debt across a range of income streams. The COVID pandemic and the subsequent period of high inflation have challenged collection rates in local taxation and across various council income streams.

2.3 Councils are increasingly reliant on these various income streams to fund local services whilst at the same time there is increased scrutiny of local government collection practices. With this increased scrutiny it is important that the Council can demonstrate a balanced approach to management of debt – one which seeks to maximise the collection of public funds for our communities but which also recognises the financial challenges and vulnerabilities of individuals and households.

2.4 Formalising and documenting the Council's approach to debt management at this time, allows the Council to demonstrate its commitments to maximising collection and supporting vulnerable residents.

2.5 Formalising this approach in the form of a strategy ensures that the Council is consistent in its guiding principles across income streams whilst maintaining the flexibilities required to manage debt operationally within relevant legislative frameworks.

2.6 The Council could choose not to formalise a corporate debt strategy or to adopt a radically different approach to the management of debt. However, the Council's current approach – as set out in the draft strategy – provides a flexible, balanced and effective approach to debt management.

3. Results of consultation undertaken

3.1. The proposed strategy merely documents the Council's existing approach to debt recovery and therefore does not need to be the subject of a wider consultation. Operationally, the Council works closely with partners across the advice sector in a collaborative approach to debt management and income maximisation.

4. Timetable for implementing this decision

4.1. If the strategy is approved, it will be formally adopted from Monday 27th July.

5. Comments from Director of Finance and Resources and Director of Law, Governance and Safer Communities

5.1. Financial Implications

Maximising income collection is essential to the delivery of all Council services and the overall financial sustainability of the Council. The Council maintains a prudent approach to accounting for income and providing for bad or doubtful debt.

There are no direct financial implications arising from this report as the strategy documents existing practice.

5.2. Legal Implications

5.2.1 Local authorities are required to collect monies from both residents and business for a variety of reasons such as Council Tax (Local Government Finance Act 1992) and Business Rates (Local Government Finance Act 1988).

5.2.2 Local authorities also have various legal powers to pursue other types of debts. These depend on the nature of the debt involved and are specific to certain services such as off-street parking charges (Road Traffic Regulation Act 1984) and care and support needs (Care Act 2014).

5.2.3 Where no specific power exists, the Council could rely on Section 1 of the Localism Act 2011. This provides local authorities with a "general power of competence" and allows them to "do anything that individuals generally may do."

5.2.4 Where legal proceedings are used to recover a debt, the Council must have regard to the requirements of the appropriate Pre-Action Protocol. Legal services will support the relevant services area when commencing legal proceedings to ensure that the threshold for initiating a legal process have been met.

6. Other implications

6.1. How will this contribute to the One Coventry Plan?

Maximising income collection contributes to the achievement of all three delivery priorities and both enabling priorities. Robust debt management is particularly relevant to the enabling priority of continued financial sustainability of the Council. Proportionate collection and financial inclusion are particularly relevant to the delivery priorities of improving outcomes and tackling inequalities and the enabling priority of the Council's role as a partner, enabler and leader.

6.2. How is risk being managed?

The Council's income collection systems are subject to bi-annual internal audit reviews.

6.3. What is the impact on the organisation?

Maximises corporate revenue whilst ensuring the Council is sensitive to the needs of our most vulnerable residents.

6.4. Equalities / EIA?

A full EIA on the strategy has been undertaken and is attached at Appendix 2 of this report.

6.5. **Implications for (or impact on) climate change and the environment?**

N/A

6.6. **Implications for partner organisations?**

N/A.

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